



EMAS

EMAS Offshore Limited

1st Quarter FY2017

Unaudited Consolidated
Financial Information

Together We Deliver

1. Introduction

EMAS Offshore Limited (“EOL”, “the Company” or “the Group”) was incorporated on February 2007, and is an established offshore oil and gas services provider which offers offshore support, accommodation and offshore production services to customers in the offshore oil and gas industry throughout the oilfield lifecycle, spanning exploration, development, production and decommissioning stages. It was listed on the Oslo Børs in 2007 and subsequently secondary-listed on the SGX-ST on 8 October 2014 and became a dual-listed company in both Norway and Singapore.

The Company’s excellent operational and HSE (health, safety and environment) track record allowed the Company to establish strong working relationships with leading international oil majors, national oil companies and various independent operators.

2. Company Profile

Headquartered in Singapore, EOL holds a leading market position in Asia Pacific and Africa. The Group’s business activities are carried out by two business segments, namely (i) Offshore Support and Accommodation Services division, and (ii) Offshore Production Services division.

The Offshore Support and Accommodation Services division specialises in the provision of offshore support and accommodation vessels for charter to service customers in the offshore oil and gas industry, with a focus on the development and production phases of the oilfield lifecycle. This division also provides ship management services for third party vessels.

The Offshore Production Services division specialises in the provision and operations of FPSO systems and related services which are key assets enabling the extraction, storage and offloading of crude oil and gas from offshore hydrocarbon reservoirs. In addition, our Offshore Production Services division provides engineering and project management services for the conversion of FPSOs and production facilities to third party clients.

3. Strategy

The Group’s strategies are as follows:

Geographical Strategy - consolidate in Southeast Asia and expand in selected areas with growth potential such as Africa, India as well as the Middle East.

Operational excellence – continuously build up our capabilities with our workforce and developing operational reliability with fleet maintenance programmes in line with stringent industry standards.

Asset optimisation – review and optimise our fleet in terms of size and composition so that our fleet remains relevant to market drivers and retain operational flexibility. The Group will constantly identify trends in demand and supply dynamics to optimise our fleet which may include disposals from time to time.

Leveraging on synergies with Ezra Group to win tenders – combining the Group’s global platform and strong track record in clinching tenders with the global business network of the Ezra Group will provide us with quick access to new markets.

4. Outlook

The market environment in the offshore oil and gas industry is expected to remain extremely challenging.

Offshore oil and gas activities have not increased significantly and this trend is expected to continue and will have a negative impact on the Group's financial performance.

The Group continues to execute its plans to improve operational efficiency and overall fleet utilisation as well as dispose of non-core assets.

As announced by the Company: -

- in October 2016, Perisai Petroleum Teknologi Berhad ("PPT"), together with Perisai Capital (L) Inc, a wholly-owned subsidiary of PPT made several announcements which effectively resulted in PPT being classified to the status of being not solvent, i.e. "PN17";
- on 18 November 2016, PPT made an application to Malaysia's Corporate Debt Restructuring Committee ("CDRC") whose application was accepted by CDRC on 9 November 2016. As a result of PPT's application to CDRC, it is understood that all affected lenders of PPT are required with immediate effect to observe an informal standstill, and withhold proceedings against PPT and its subsidiaries. This includes SJR Marine (L) Ltd, EMAS Victoria (L) Bhd and Intan Offshore (L) Ltd, which are either associated or joint venture companies of the Group. PPT has 60 days from 9 November 2016 to submit its proposal for the proposed debt restructuring scheme and CDRC shall thereafter call for a meeting with its lenders;
- on 13 December 2016, the Group reached an agreement on 12 December 2016 with all its financial lenders to refinance its financial obligations over a period of 5 years from 12 December 2016 ("Refinancing"). Among other terms and conditions, the agreement also contemplates the raising of new working capital facilities and includes provisions that would retrospectively discharge the Group from complying with financial covenants until FY2020. The Refinancing will be subject to documentation and conditions that would be set out in definitive agreements to be entered into between the parties within sixty (60) days from 12 December 2016; and
- on 23 December 2016, the Group reached a settlement agreement with PPT with respect to disputes arising from the put option held by PPT for the acquisition of 51.0% equity stake in SJR Marine (L) Ltd, subject to the fulfilment of the various conditions precedent as detailed in the announcement.

The Group is continuing with its efforts to finalise agreements that would result in the provision of additional working capital facilities. As a result of the uncertainties including those surrounding PPT's developments, the completion of the refinancing exercise and obtaining additional working capital facilities have been delayed.

The completion dates of these agreements are currently targeted to be concluded before the end of the second quarter of financial year 2017. In the event that these efforts do not achieve a favourable and timely outcome, the Group will be faced with a going concern issue.

4. Outlook (cont'd)

As disclosed in Note 10 of its Q4 FY2016 Financial Statement results announcement by Ezra Holdings Limited on 29 November 2016, Ezra Holdings Limited and its subsidiaries (“Ezra Group”) are in discussions with various stakeholders and consolidating funding requirements. In the event that these efforts do not achieve a favourable and timely outcome, Ezra Group will be faced with a going concern issue. Ezra Holdings Limited is a guarantor to various financial obligations of the Group and accordingly, this development may have a negative impact on the Group.

5. Consolidated Statement of Profit or Loss and Other Comprehensive Income (in USD thousands)

	3 months ended		% increase/ (decrease)
	30 Nov 2016	30 Nov 2015	
Revenue	42,537	49,751	(15)
Cost of sales	(42,751)	(50,812)	(16)
Gross loss	(214)	(1,061)	(80)
Other income, net	4,454	532	737
Administrative expenses	(3,891)	(3,373)	15
Profit/(loss) from operations	349	(3,902)	nm
Financial income	3,252	684	375
Financial expenses	(9,595)	(5,193)	85
Share of results of associates	1,303	2,209	(41)
Share of results of joint ventures	3,041	3,523	(14)
Loss before tax	(1,650)	(2,679)	(38)
Income tax	(564)	(549)	3
Loss after tax	(2,214)	(3,228)	(31)
Other comprehensive income:			
<u>Items that may be reclassified to profit or loss:</u>			
Effective portion of changes in fair value of cash flow hedges	-	40	nm
Exchange difference on translation of foreign operations	(898)	(645)	39
Change in fair value of available for sale investment	-	359	nm
Total comprehensive income for the financial period	(3,112)	(3,474)	10
Loss per share (US cents)	(0.01)	(0.01)	33

Notes:

Loss for the financial period is arrived at after (charging)/crediting the following:

	3 months ended		% increase/ (decrease)
	30 Nov 2016	30 Nov 2015	
Exchange gain, net	3,031	454	568
Depreciation	(13,568)	(12,442)	9
Fair value changes of derivative instruments	48	-	nm
Impairment loss on property, plant and equipment	(21,857)	-	nm
Reversal of provision for onerous contracts	22,197	-	nm
Amortisation of deferred income	799	-	nm

* Less than USD1,000

nm – Not meaningful

6. Statements of Financial Position (in USD thousands)

	Group			%	Company		
	As at 30 Nov 2016	As at 31 Aug 2016			As at 30 Nov 2016	As at 31 Aug 2016	% increase/ (decrease)
ASSETS							
Non-current assets							
Property, plant and equipment	833,232	742,943	12	-	-	-	-
Investment in subsidiaries	-	-	-	27,917	27,917	-	-
Investment in associates	18,311	17,116	7	-	-	-	-
Investment in joint ventures	106,984	103,943	3	103,392	103,392	-	-
Long term receivables	60,032	59,801	0	-	-	-	-
Lease receivables	1,137	1,222	(7)	-	-	-	-
	<u>1,019,696</u>	<u>925,025</u>	10	<u>131,309</u>	<u>131,309</u>	-	-
Current assets							
Inventories and work-in-progress	1,109	1,764	(37)	-	-	-	-
Lease receivables	697	592	18	-	-	-	-
Trade receivables	25,233	16,471	53	-	-	-	-
Other receivables and deposits	15,955	12,698	26	1,751	1,747	0	0
Prepayments	9,294	13,686	(32)	799	727	10	10
Balances due from							
- holding company	9,196	9,196	-	-	-	-	-
- subsidiaries	-	-	-	507,510	334,775	52	52
- related parties	93,582	92,769	1	3	3	-	-
- associates	11,719	11,285	4	-	-	-	-
- joint ventures	8,319	8,351	(0)	7,155	7,155	-	-
Cash and cash equivalents	10,768	12,484	(14)	427	362	18	18
	<u>185,872</u>	<u>179,296</u>	4	<u>517,645</u>	<u>344,769</u>	50	50
Asset held for sale	29,597	29,597	-	-	-	-	-
	<u>215,469</u>	<u>208,893</u>	3	<u>517,645</u>	<u>344,769</u>	50	50
Total assets	<u>1,235,165</u>	<u>1,133,918</u>	9	<u>648,954</u>	<u>476,078</u>	36	36
LIABILITIES AND EQUITY							
Non-current liabilities							
Bank term loans	-	-	-	-	-	-	-
Balances due to holding company	125,000	125,000	-	125,000	125,000	-	-
Deferred income	25,292	26,396	(4)	-	-	-	-
Lease obligations	152,668	-	nm	-	-	-	-
Derivative financial instruments	218	266	(18)	-	-	-	-
Deferred tax liabilities	1,520	1,675	(9)	-	-	-	-
Total non-current liabilities	<u>304,698</u>	<u>153,337</u>	99	<u>125,000</u>	<u>125,000</u>	-	-

6. Statements of Financial Position (in USD thousands) (cont'd)

	Group			Company		
	As at 30 Nov 2016	As at 31 Aug 2016	% increase/ (decrease)	As at 30 Nov 2016	As at 31 Aug 2016	% increase/ (decrease)
Current liabilities						
Trade payables	43,047	36,039	19	-	-	-
Other payables and accruals	53,400	54,571	(2)	4,480	3,913	14
Balances due to						
- holding company	53,804	52,051	3	25,651	23,898	7
- subsidiaries	-	-	-	320,480	147,872	117
- related parties	10,362	9,162	13	1,336	1,293	3
- associates	19,344	15,279	27	-	-	-
- joint ventures	-	103	nm	-	-	-
Bills payable to banks	100,694	101,464	(1)	22,000	22,000	-
Deferred income	4,108	4,108	-	-	-	-
Lease obligations	62,410	97,002	(36)	-	-	-
Bank term loans	464,946	466,829	(0)	45,000	45,000	-
Derivative financial instruments	20,719	20,719	-	20,719	20,719	-
Provisions	2,028	24,225	(92)	-	-	-
Income tax payable	8,169	8,481	(4)	126	133	(5)
Total current liabilities	843,031	890,033	(5)	439,792	264,828	66
Capital and reserves						
Share capital	229,541	229,541	-	357,211	357,211	-
Treasury shares	(718)	(718)	-	(718)	(718)	-
Accumulated losses	(140,767)	(138,553)	2	(272,331)	(270,243)	1
Translation reserve	(5,777)	(4,879)	18	-	-	-
Capital reserve	5,157	5,157	-	-	-	-
Total equity	87,436	90,548	(3)	84,162	86,250	(2)
Total liabilities and equity	1,235,165	1,133,918	9	648,954	476,078	36

7. Consolidated Statement of Changes in Equity (in USD thousands)

(i) *Statement of changes in equity for the financial period ended 30 November 2016*

	Group							
	Attributable to owners of the Company							
	Share capital	Treasury shares	Hedging reserves	Fair value adjustment reserves	Capital reserve	Translation reserve	Accumulated losses	Total equity attributable to owners of the Company
At 1 September 2016	229,541	(718)	-	-	5,157	(4,879)	(138,553)	90,548
Total comprehensive income for the financial period	-	-	-	-	-	(898)	(2,214)	(3,112)
At 30 November 2016	229,541	(718)	-	-	5,157	(5,777)	(140,767)	87,436

7. Consolidated Statement of Changes in Equity (in USD thousands) (cont'd)
 (ii) *Statement of changes in equity for the financial period ended 30 November 2015*

	Group							
	Attributable to owners of the Company							
	Share capital	Treasury shares	Hedging reserves	Fair value adjustment reserves	Capital reserve	Translation reserve	Accumulated profits	Total equity attributable to owners of the Company
At 1 September 2015	235,939	(718)	3	(46,015)	(1,241)	(5,233)	351,753	534,488
Total comprehensive income for the financial period	-	-	40	359	-	(645)	(3,228)	(3,474)
At 30 November 2015	235,939	(718)	43	(45,656)	(1,241)	(5,878)	348,525	531,014

7. Statement of Changes in Equity (in USD thousands) (cont'd)

(iii) *Statement of changes in equity for the financial period ended 30 November 2016*

	Company							
	Share capital	Treasury shares	Hedging reserves	Fair value adjustment reserves	Capital reserve	Translation reserve	Accumulated losses	Total equity
At 1 September 2016	357,211	(718)	-	-	-	-	(270,243)	86,250
Total comprehensive income for the financial period	-	-	-	-	-	-	(2,088)	(2,088)
At 30 November 2016	357,211	(718)	-	-	-	-	(272,331)	84,162

7. Statement of Changes in Equity (in USD thousands) (cont'd)

(iv) Statement of changes in equity for the financial period ended 30 November 2015

	Company							
	Share capital	Treasury shares	Hedging reserves	Fair value adjustment reserves	Capital reserve	Translation reserve	Accumulated losses	Total equity
At 1 September 2015	357,211	(718)	-	(42,261)	-	-	(15,631)	298,601
Total comprehensive income for the financial period	-	-	-	359	-	-	(2,453)	(2,094)
At 30 November 2015	357,211	(718)	-	(41,902)	-	-	(18,084)	296,507

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The discussion below refers to the three months ended 30 November 2016 (“1Q FY2017”) and the corresponding figures covers the three months ended 30 November 2015 (“1Q FY2016”) for the Group’s consolidated financial information.

Revenue

Revenue for 1Q FY2017 amounted to USD42.5 million, a 15% decrease from the corresponding period. The decrease was mainly due to general weakness in the offshore industry. The shallow water platform support vessels (“PSV”) and anchor handling, towing and supply vessels (“AHTS”) segment continues to remain weak.

Cost of sales

Cost of sales for 1Q FY2017 amounted to USD42.8 million, as compared to USD50.8 million in 1Q FY2016, a 16% decrease. The decrease in cost of sales is mainly due to lower bareboat cost incurred which is partially offset by higher depreciation, following the lease modification of 7 vessels that are now accounted for under finance lease arrangement.

Other income, net

The higher other income, net for 1Q FY2017 relates to the favourable USD exchange rate movements against the Singapore Dollar and Malaysia Ringgit.

Administrative expenses

Administrative expenses for 1Q FY2017 amounted to USD3.9 million, a 15% increase. The increase is mainly due to absence of reversal of IPO related costs, which was recorded in 1Q FY2016.

Financial income

Financial income is recognised mainly in relation to the amortisation of interest income on the long term receivables. Financial income increased by 375% in 1Q FY2017 due to non-recurring interest savings of USD2.2 million arising from the modification of operating lease arrangements mentioned above.

Financial expenses

The increase in 1Q FY2017 is mainly due to the interest costs of lease obligations that were recognised in the statement of financial position in tandem with the new leased assets arising from finance lease accounting.

Share of results of associates

The share of results of associates for the current quarter refers to the share of results of Intan Offshore Sdn Bhd. Share of results of associates decreased quarter-on-quarter as the Group ceased to share the profits of PV Keez Pte Ltd with effect from 1 March 2016, following its reclassification to asset held for sale.

Share of results of joint ventures

The share of results of joint ventures is mainly derived from Emas Victoria (L) Bhd. 1Q FY2017 share of results decreased by 14% from the previous corresponding quarter due to the reduction in charter rates for *Perisai Kamelia* effected in Q3 FY2016.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (cont'd)

Income tax

Income tax relates to the amount paid or expected to be paid to the respective tax authorities. The Group has exposure to income tax in various jurisdictions. The tax rates and tax laws used to compute the amounts are those that had been enacted or substantively enacted at the end of the reporting periods.

Consolidated Statement of Financial Position

The discussion below refers to the financial position of the Group as at 30 November 2016 and 31 August 2016.

The Group's total assets amounted to USD1,235.2 million as at 30 November 2016 and USD1,133.9 million as at 31 August 2016. Property, plant and equipment increased by USD90.3 million mainly due to the net increase from vessels being placed on finance lease arrangements following the modification of operating lease arrangement. This is partially offset by depreciation of USD13.6 million.

The Group's total liabilities increased by USD104.4 million to USD1,147.7 million as at 30 November 2016. The increase is mainly due to the recognition of finance lease obligations of USD118.1 million and the reversal of provisions of USD21.9 million following the modification of lease arrangement.

8. Consolidated Statement of Cash Flows (in USD thousands)

	3 months ended	
	30 Nov 2016	30 Nov 2015
Cash flows from operating activities		
Loss before tax	(1,650)	(2,679)
Adjustments for:		
Depreciation expense	13,568	12,442
Impairment loss on property, plant and equipment	21,857	-
Realised gain on derivative instruments	(1)	-
Share of results of associates	(1,303)	(2,209)
Share of results of joint ventures	(3,041)	(3,523)
Fair value changes of derivative instruments	(48)	-
Unrealised exchange gain	(3,097)	(742)
Interest expense	9,595	5,193
Interest income	(3,252)	(684)
Reversal of provision for onerous contracts	(22,197)	-
Operating cash flows before movements in working capital	10,431	7,798
(Increase)/decrease in:		
Inventories and work-in-progress	655	(632)
Trade receivables	(8,762)	4,215
Other debtors, deposits and prepayments	1,862	(1,593)
Due from holding company	-	705
Due from related parties	(813)	(462)
Due from associates	(434)	1,094
Due from joint ventures	32	537
(Decrease)/increase in:		
Trade payables	548	836
Other payables and accruals	(4,700)	(2,688)
Due to holding company	648	2,020
Due to associates	4,064	1,901
Due to joint ventures	(103)	-
Due to related parties	1,199	(1,865)
Cash generated from operations	4,627	11,866
Interest paid	(643)	(3,111)
Interest income received	52	1,529
Income taxes paid	(1,030)	(731)
Net cash flow generated from operating activities	3,006	9,553
Cash flows from investing activities		
Return of capital from joint ventures	-	789
Purchase of property, plant and equipment	(2,765)	(13)
Decrease in cash pledged	289	-
Net cash flow (used in)/generated from investing activities	(2,476)	776

8. Consolidated Statement of Cash Flows (in USD thousands) (cont'd)

	3 months ended	
	30 Nov 2016	30 Nov 2015
Cash flows from financing activities		
Proceeds from bank loans	-	1,468
Repayment of bank loans	(1,884)	(21,203)
Repayment of lease obligations	-	(553)
Receipt/(payment) of derivative instrument, net	1	(1)
Net cash flow used in financing activities	(1,883)	(20,289)
Net decrease in cash and cash equivalents	(1,353)	(9,960)
Effects of exchange on cash and cash equivalents	(74)	35
Cash and cash equivalents at beginning of the financial period	11,602	24,035
Cash and cash equivalents at end of the financial period	10,175	14,110

Note:

Breakdown of cash and cash equivalents is as follows:

	As at	
	30 Nov 2016	31 Aug 2016
Cash and bank balances	10,768	12,484
Less: Restricted cash	(593)	(882)
Cash and cash equivalents	10,175	11,602

9. Borrowings (in USD thousands)

a) Bank borrowings

	As at	
	30 Nov 2016	31 Aug 2016
<u>Amount repayable in one year or less, or on demand</u>		
Secured	517,746	519,629
Unsecured	47,894	48,664
Total	<u>565,640</u>	<u>568,293</u>

Details of any collateral

The above bank loans are secured by way of legal mortgages on the vessels, cash deposits and the available for sale investment of the Group.

b) Lease obligations

	As at	
	30 Nov 2016	31 Aug 2016
<u>Amount repayable in one year or less, or on demand</u>		
Secured	62,410	97,002
	<u>62,410</u>	<u>97,002</u>
<u>Amount repayable after one year</u>		
Secured	152,668	-
	<u>152,668</u>	<u>-</u>
Total	<u>215,078</u>	<u>97,002</u>

Financial covenants

The Group has presented its borrowings as current liability at the end of the reporting period as it had breached certain financial covenants as at 30 November 2016. As disclosed on Note 4 of this announcement, the Group reached agreement on 12 December 2016 with all its financial lenders to refinance its financial obligations over a period of 5 years from 12 December 2016. Among other terms and conditions, the agreement contemplates the raising of new working capital facilities and also includes provisions that would retrospectively discharge the Group from complying with financial covenants until FY2020. The Refinancing will be subject to documentation and conditions that would be set out in definitive agreements to be entered into between the parties within sixty (60) days from 12 December 2016.

10. Share capital

	As at	
	30 Nov 2016	31 Aug 2016
	Number of ordinary shares	
<u>Issued and paid up share capital</u>		
As at 1 September , 30 November and 31 August	439,672,754	439,672,754

The Group acquired 1,240,430 shares through the Oslo Børs and SGX in October 2014 and November 2014. The total amount paid to acquire the shares has been deducted from shareholders' equity. The shares are held as treasury shares and all shares were fully paid for.

11. Dividends

No dividends were declared during the current and previous financial periods.

12. Segment Information

For management reporting purposes, the Group is organised into two main operating divisions:

- Marine Services division is mainly engaged in the owning, chartering and the management of offshore support vessels serving the oil and gas industry; and
- Production Services division provides engineering and project management services for the conversion of FPSOs and production facilities to third party clients.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit from operations.

Inter-segment pricing, if any, is determined on an arm's length basis.

Income taxes are managed on a group basis and are not allocated to the operating segments.

In presenting geographical information, segment revenue is based on the billing location of customers. Non-current assets are based on the location of the companies that own those assets.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise net gains arising from the Business Combination.

12. Segment Information (in USD thousands) (cont'd)

Business segments

The following table presents revenue and results information regarding the Group's business segments for the financial period ended 30 November 2016 and 30 November 2015:

	Marine		Production		Corporate		Total	
	3 months ended 30 Nov 2016	3 months ended 30 Nov 2015	3 months ended 30 Nov 2016	3 months ended 30 Nov 2015	3 months ended 30 Nov 2016	3 months ended 30 Nov 2015	3 months ended 30 Nov 2016	3 months ended 30 Nov 2015
Revenue	42,310	49,459	227	292	-	-	42,537	49,751
Profit/(loss) from operations	1,035	(6,174)	1,003	3,241	(2,029)	(969)	9	(3,902)
Financial income	3,252	251	-	432	-	1	3,252	684
Financial expenses	(7,503)	(3,164)	(402)	(544)	(1,690)	(1,485)	(9,595)	(5,193)
Share of results of associates	1,303	1,249	-	960	-	-	1,303	2,209
Share of results of joint ventures	-	-	3,813	4,360	(772)	(837)	3,041	3,523
Impairment loss on property, plant and equipment	(21,857)	-	-	-	-	-	(21,857)	-
Reversal of provision for onerous contracts	22,197	-	-	-	-	-	22,197	-
Income tax							(564)	(549)
Loss for the financial year							(2,214)	(3,228)
Other information								
Capital expenditure	164,936	13	-	-	-	-	164,936	13
Depreciation	13,568	12,442	-	-	-	-	13,568	12,442

12. Segment Information (in USD thousands) (cont'd)

Business segments

	Marine		Production		Corporate		Total	
	As at 30 Nov 2016	As at 31 Aug 2016	As at 30 Nov 2016	As at 31 Aug 2016	As at 30 Nov 2016	As at 31 Aug 2016	As at 30 Nov 2016	As at 31 Aug 2016
Assets								
Segment assets	1,079,141	982,436	127,598	124,056	28,426	27,426	1,235,165	1,133,918
Liabilities								
Segment liabilities	825,047	722,356	78,371	79,058	244,311	241,956	1,147,729	1,043,370
Other information								
Investment in associates	18,311	17,116	-	-	-	-	18,311	17,116
Investment in joint ventures	-	-	86,141	83,191	20,843	20,752	106,984	103,943
Asset held for sale	-	-	29,597	29,597	-	-	29,597	29,597

12. Segment Information (in USD thousands) (cont'd)

Geographical segment

Revenue and non-current assets by geographical segment are presented below:

a) Revenue – Note 1

	3 months ended 30 Nov 2016	3 months ended 30 Nov 2015
Singapore	5,955	442
Southeast Asia	18,398	24,690
Africa	13,131	15,976
Brazil	-	5,633
India	2,887	2,894
Others	2,166	116
Total	42,537	49,751

b) Non-current assets – Note 2

	As at 30 Nov 2016	As at 31 Aug 2016
Singapore	721,949	663,306
Malaysia	172,129	135,545
India	28,031	28,394
Others	37,555	37,979
Total	959,664	865,224

Information about major customers

At the end of the financial period, revenue from the Group's major customers per segment was as follows:

	3 months ended 30 Nov 2016	3 months ended 30 Nov 2015
Marine division:		
Customer 1	7,711	15,062
Customer 2	5,435	5,101
Customer 3	4,641	3,424
Production division	141	247

Notes:

- 1) Revenue is based on the location of customers
- 2) Non-current assets are based on the location of the companies that own those assets and consist of property, plant and equipment, investment in associates and joint ventures and lease receivables

13. Significant Related Party Transactions (in USD thousands)

	3 months ended 30 Nov 2016	3 months ended 30 Nov 2015
<u>Income</u>		
Revenue from related parties	5,783	18,938
Revenue from associates	467	472
Management fee income charged to a related company	11	-
Interest income from an associate	-	432
<u>Expenses</u>		
Cost of sales charged by related parties	(384)	(84)
Cost of sales charged by an associate	(3,116)	(3,116)
Interest expenses charged by the holding company	(1,106)	(705)
Management fees charged by the holding company	(513)	(483)
Management fees charged by a related party	(207)	(180)
Key management personnel compensation		
- Salaries, bonus and allowance	(260)	(449)
- Defined contribution plan expense	(9)	(5)

14. Fair values of financial assets and liabilities (in USD thousands)

The management considers that the carrying amounts of cash and bank balances, trade and other current receivables and payables to approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The management estimates that the fair value of the bank loans approximates their carrying value as the borrowings bear interest at floating rates or approximate floating rates. At the reporting date, the fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis are disclosed below:

	As at 30 Nov 2016		As at 31 Aug 2016	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
<u>Financial asset</u>				
Long term receivables	60,032	77,012	59,801	65,235
<u>Financial liabilities</u>				
Balance due to holding company	125,000	133,394	125,000	129,224

Long term receivables and balance due to holding company – Fair values are estimated based on a discounted cash flow basis using the Group's weighted average interest rate of floating rate loans of 3.96% (2016: 3.31%) which is representative of the market rate applicable to companies with similar risk profile.

14. Fair values of financial assets and liabilities (in USD thousands) (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group's available-for-sale investment and derivative financial instrument is classified as Level 2. The Group's derivative financial instrument is classified as level 3. The Group's available-for-sale investment was transferred to Level 2 during the previous financial period following PPT's PN17 status. There were no other transfers between the different levels of the fair value hierarchy during the financial period.

15. Operations in the interim period

The Group's operations in Asia are subject to seasonal fluctuations due to monsoon. As a result, revenues and results for the first half of the financial period may be lower.

16. Commitments (USD thousands)

As at the end of the reporting period, the Group had no capital commitments.

17. Selected Notes to the Accounts

(i) Basis of preparation

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS"). The financial statements are also in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial information should be read in conjunction with the Group's FY2015 annual financial statements, which include a full description of the Group's accounting policies.

Taking into consideration the uncertainties as disclosed on Note 4 of this announcement, the Audited Financial Statements for FY2016 is not available as at date of this announcement. The Group had written in to the Accounting and Corporate Regulatory Authority ("ACRA") under Sections 175(2) and 201(4) of the Companies Act, Chapter 50 of Singapore for approval of an extension of time by sixty (60) days to hold its AGM and to present its audited financial statements for the full financial year ended 31 August 2016 (the "Audited Financial Statements for FY2016") at the AGM. The approval was granted by ACRA on 10 January 2017.

17. Selected Notes to the Accounts (cont'd)

(i) Basis of preparation

As explained in Note 9, the Group exceeded its maximum leverage threshold in the 1Q FY2017 but has reached agreement with all its financial lenders on 12 December 2016, which would retrospectively discharge the Group from complying with the financial covenant until FY2020 subject to documentation and conditions as disclosed in Note 4 of this announcement.

As at 30 November 2016, the Group is in net current liabilities position and has breached certain financial covenants but has reached agreement with all its financial lenders, which would retrospectively discharge the Group from complying with these financial covenants until FY2020 as disclosed in Note 4 of this announcement.

The consolidated financial information has not been audited or reviewed.

(ii) Adoption of New And Revised Standards

The Group has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on 1 September 2016. The adoption of these new/revised FRSs, INT FRSs and amendments to FRSs has no material effect on the amounts reported for the current or prior periods.

(iii) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

17. Selected Notes to the Accounts (cont'd)

(iii) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

a) *Key sources of estimation uncertainty (cont'd)*

Estimated useful lives of vessels

Vessels are depreciated on a straight-line basis over their estimated useful lives. The estimated useful life reflects the management's estimate of the periods that the Group intends to derive future economic benefits from the use of vessels. Management has assessed that the residual value of the vessels are not material. Changes in the business plans and strategies, expected level of usage and future technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Impairment of receivables

The Group assesses at each reporting date whether there is objective evidence that receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such allowances are adjusted periodically to reflect the actual and past experience.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to dispose and its value in use. The fair value less costs to dispose calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

17. Selected Notes to the Accounts (cont'd)

(iii) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

a) *Key sources of estimation uncertainty (cont'd)*

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. It also enjoys tax incentives in Singapore. Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

b) *Critical judgments made in applying accounting policies*

The following are the judgments made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Accounting for sale and leaseback arrangements

At the inception of the respective sale and leaseback arrangements, the Group has evaluated the substance of the transactions in accordance with the requirements of INT FRS 27 and FRS 17 (revised) *Leases*, and concluded that the sales should be recognised upon completion of the respective transactions and the leasebacks should be accounted for as finance leases.

Recoverability of AFS investments

At the reporting date, the Group has impaired the remaining carrying value of its shares in PPT, following their classification to PN17 status.

(iv) Foreign currencies

The Group's consolidated financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

17. Selected Notes to the Accounts (cont'd)

(iv) Foreign currencies (cont'd)

(a) Foreign currency transactions and balances

Transactions in a currency other than the respective functional currencies ("foreign currency") of the Company and its subsidiaries are recorded on initial recognition in the functional currencies at foreign exchange rates approximating those ruling at the dates of the transactions. Foreign currency monetary items are translated into the functional currency using foreign exchange rate ruling at the end of the reporting period. Non-monetary assets and liabilities measured at historical cost in foreign currencies are translated into the functional currency using foreign exchange rates at the dates of the transactions. Non-monetary items measured at fair value in foreign currencies are translated into the functional currency at exchange rates ruling at the dates the fair value was measured.

Exchange differences arising on the settlement of monetary items or translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Foreign operations

For consolidation purpose, the assets and liabilities of operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at average exchange rates for the financial period. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss of the Group.

In the case of partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss.

For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(c) Translation of goodwill and fair value adjustments

Goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets and liabilities of the foreign entities and are recorded in the functional currencies of the foreign entities and translated at the exchange rates prevailing at the reporting date.

(v) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

17. Selected Notes to the Accounts (cont'd)

(v) Basis of consolidation (cont'd)

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or accumulated profits, as appropriate.

(vi) Available-for-sale financial assets

AFS financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories. After initial recognition, AFS financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains or losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

(vii) Associates and joint ventures

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

17. Selected Notes to the Accounts (cont'd)

(vii) Associates and joint ventures (cont'd)

Under the equity method, the investment in associates or joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's net investment in the associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures the retained interest at its fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

18. Principal Risks and Uncertainties

The Group is exposed to various known and unknown risks and uncertainties. These uncertainties and risks could develop into actual events that could materially and adversely affect our business or financial conditions, the results of our operations or our prospects. These uncertainties and risks could include, among others:

- Changes in financial markets
- Changes in socioeconomic environments
- The availability of substitute services
- The competitive nature of the offshore oil and gas industry
- Oil and gas prices
- Oil and gas demand
- Improvements in technology
- Changes in local and foreign government regulations
- Changes in economic conditions or political events
- The inability of the Group to obtain financing for potential new builds or to maintain existing assets on favourable financing terms
- Changes in the spending plans of our customers
- Changes in the Group's operating expenses, including crew wages, insurance, dry-docking, repairs and maintenance
- Redeployment risks

As disclosed in the Financial Risk Management section of the EMAS Offshore Limited 2015 Annual Report, the Group is exposed to a number of financial risks including but not limited to credit risk, liquidity risk, foreign currency risk and interest rate risks. It is the policy of the Group to continuously monitor and review these risks and take the necessary steps to minimise the potential effects of these risks on the Group's performance.

Although some factors might be outside our control, as described above, the Group is actively managing any possible operational risk that could arise, through continuous improvements to the current business operational workflow, processes, practices and activities.

19. Key Financial Figures

	Notes	Period ended 30 Nov 2016	Period ended 30 Nov 2015
Net loss (in USD thousands)		(2,214)	(3,228)
EBITDA (in USD thousands)		18,261	14,272
EBIT (in USD thousands)		4,693	1,830
Earnings per share			
– Basic and diluted (in USD cents)	A	(0.01)	(0.01)
Weighted average number of shares ('000)		438,432	438,432
Interest cover ratio (times)	B	2.88	3.17
Return on equity	C	-2.5%	-0.6%
		As at	As at
	Notes	30 Nov 2016	31 Aug 2016
Net interest bearing debt (in USD thousands)	D	554,872	555,809
Net tangible assets attributable to the Parent (in USD thousands)		87,436	90,548
Debt equity ratio (times)	E	6.35	6.14
Current ratio (times)	F	0.26	0.23
Net asset value per ordinary share (in USD)	G	0.20	0.21

Notes:

- A. Net profit / Weighted average number of shares
- B. EBITDA / Net interest expenses
- C. Net profit / Average book equity
- D. Interest bearing bank debts less cash and bank balances
- E. Net interest bearing bank debts / Equity
- F. Current assets / Current liabilities
- G. Net asset value / Issued share capital at end of the financial period

Financial covenants

The Group has presented its borrowings as current liability at the end of the reporting period as it had breached certain financial covenants as at 30 November 2016. As disclosed on Note 4 of this announcement, the Group reached agreement on 12 December 2016 with all its financial lenders to refinance its financial obligations over a period of 5 years from 12 December 2016. Among other terms and conditions, the agreement contemplates the raising of new working capital facilities and also includes provisions that would retrospectively discharge the Group from complying with financial covenants until FY2020. The Refinancing will be subject to documentation and conditions that would be set out in definitive agreements to be entered into between the parties within sixty (60) days from 12 December 2016.